



# THULAMELA MUNICIPALITY

ANNUAL FINANCIAL STATEMENT

30 JUNE 2013

Thulamela Municipality Annual  
Financial Statement for the year ended 30 June 2013

**Thulamela Municipality**

Annual Financial Statements for the year ended June  
30 2013

**General Information**

**Legal form of entity** Thulamela Municipality

**Members of the Council**

Mahosi Ndivhuwo Grace( Mayor)  
Baloyi Mafemani Erick ( Speaker)  
Mutoti Nthambeni Wilson (Chief whip)

**Exco Members**

Netshifhefhe Matodzi  
Maholwane Kutala Emiline  
Maluleke Shadrack Gezani  
Mbedzi Selina Thinawanga  
Rammela Mulalo sylvia  
Mavikane Simon Xihlamariso  
Ligege Vhengani Phophi  
Malindi Thilivhali Obrien  
Madzunya Edzisani

**Councillors**

Chauke Mkhacani Aarone  
Ramatamba Khombo Angelina  
Mathambo Rudzani  
Malada Phineas Tshimangadzo  
Muedi Esther Tshifhumulo  
Gundula Thivhulawi Jeffrey  
Mabasa Joseph  
Maluleke Rosina Langani  
Moyo Mkhagani Thomas  
Baloyi Mafemani Erick  
Khosa Tinyiko Daphine  
Matchebela Mafemani Eric  
Baloyi Lazarous Ndzunisani  
Twala Amelia Zondo  
Mahlale Mafemani  
Mathebula Tinyiko Simon  
Mabasa Constance Rirhanzu  
Mbedzi Selinah Thinawanga  
Mutheiwana Fulufhelo Asnath  
Tharaga Maano Donald  
Ramanala Vhengani Maria  
Tshifhango Rembuluwani Alson  
Nethonzhe Rudzani Thomas  
Mulaudzi Matodzi Mavis  
Musisinyane Nditsheni Samuel  
Thifulufhelwi Azwitakadzi Lisbeth  
Maduse Livhuwani Salthiel  
Mavhunga Naledzani Joseph  
Munyai Mashudu Evans  
Davhana Azwifaneli Joyce  
Rammela Mulalo sylvia  
Netshifhefhe Matodzi  
Thabela Thomani Paul  
Madondo Martha Litshani  
Ligege Vhengani Phophi  
Nemanzhe Khumeleni  
Mandiwana Ntakadzeni Ester  
Mulaudzi Khathutshelo Ernest  
Mamushiana Thivhonal David  
Chavani Phahlela Joe

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Grading of local authority	Grade 4
Accounting Officer	Mathivha M.H 015 962 7589 mathivhamh@thulamela.gov.za
Chief Finance Officer (CFO)	Madzhi Mavis Azwianewi 015 962 7515 madzhiema@thulamela.gov.za
Province	Limpopo
Physical address	Old Agrieven building Thohoyandou 950
Postal address	Private bag Thohoyandou 950
Bankers	First National Bank

Auditors	Office Of The Auditor General 0152839335 <a href="mailto:thabomog@agsa.co.za">thabomog@agsa.co.za</a>
Name of Contact Person at	Mr Ngoepe N 0829669230 <a href="mailto:ngoepena@limtreasury.gov.za">ngoepena@limtreasury.gov.za</a>
Name of Contact Person at National Treasury	Mr Nekhavhambe O 0123155867 <a href="mailto:Obreynekhavhambe@treasury.gov.za">Obreynekhavhambe@treasury.gov.za</a>

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#### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



Annual  
Financial Statement for the year ended 30 June 2013

Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of councillors, loans made to councillors, if any, and payments made to councillors for the loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the remuneration of public officer Bearers Act and the minister of Provincial and Local Government's determination in accordance with this Act



Accounting Officer  
Mathivha M.H

Thulamela Municipality Annual  
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Statement of Financial Position

Figures in Rand

**Assets**

*Current Assets*

Inventories	5	10 787 960	11 451 434
Trade receivables (exchange)	7.3	19 256 273	6 229 366
Trade receivables (non exchange transactions)	7.2	4 569 393	1 958 790
Other receivables	8	5 039 921	71 033 861
Vat receivables		32 271 810	39 165 307.31
Current portion of long-term	4	729 034	1 261 206
Cash and cash equivalents	9	292 292 699	190 736 629
		<b>364 947 090</b>	<b>321 836 594</b>

*Non-Current Assets*

Property, plant and equipment	2	977 863 944	921 251 767
Intangible assets	3	2 363 134	2 547 615
Non current receivables	4	477 485	1 492 791
		<b>980 704 563</b>	<b>925 292 173</b>

**Total Assets**

**1 345 651 652      1 247 128 767**

**Liabilities**

*Current Liabilities*

Short term loan	10	49 188 446	8 213 046
Finance lease obligation	11	1 248 539	557 985
Trade and other payables from	14	51 314 157	53 088 564
Consumer deposits	15	34 546	20 437
Unspent conditional grants and	12	76 245 403	54 851 046
Provisions	13	442 207	442 207
		<b>178 473 298</b>	<b>117 173 285</b>

*Non-Current Liabilities*

Finance lease obligation	11	1 150 237	962 090
Provisions	13	15 001 067	9 318 320
		<b>16 151 305</b>	<b>10 280 409</b>

**Total Liabilities**

**194 624 603      127 453 694**

**Net Assets**

**1 151 027 049      1 119 675 072**

**Accumulated surplus**

**1 151 027 055      1 119 675 067**

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**Statement of Financial Performance**

Figures in Rand

**Revenue**

		2013	2012
Property rates	17	35 024 960	25 425 680
Service charges	18	35 494 742	35 759 268
Rental of facilities and equipment	27	504 306	499 006
Interest on outstanding debtors	24	10 928 254	-
Fines		3 862 686	4 005 673
Licences and permits		11 773 953	11 556 584
Government grants & subsidies	19	414 254 437	430 804 605
Reversal of provision for baddebts		919 576	247 502
Other revenue	20	19 232 153	10 954 946
Interest received - investment	24	10 443 610	7 317 739
<b>Total Revenue</b>		<b>542 438 678</b>	<b>526 571 003</b>

**Expenditure**

Employee related cost	22	143 237 621	113 887 568
Remuneration of councillors	23	20 411 699	18 746 783
Depreciation and amortisation	25	42 897 486	39 212 602
Finance costs	26	1 742 851	371 432
Collection costs		5 827 868	4 538 629
Repairs and maintenance		47 970 251	46 375 801
Contracted services	28	325 468	306 695
Provision for Bad debts		41 857 880	-
Inventory write down/Assets write off	2 & 5	807 001	4 665 648
General Expenses	21	206 008 565	113 122 094
<b>Total Expenditure</b>		<b>511 086 690</b>	<b>341 227 252</b>

Surplus for the year

	<b>31 351 988</b>	<b>185 343 751</b>
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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously Adjustments	931 770 236	931 770 236
Prior year adjustments		-
Balance at July 01, 2011 as	931 770 236	931 770 236
Changes in net assets		
Surplus for the year	185 343 751	185 343 751
Opening balance as previously Adjustments	1 117 113 987	1 117 113 987
Prior year adjustments ( Note	2 561 080	2 561 080
Balance at July 01, 2012 as	1 119 675 067	1 119 675 067
Changes in net assets		
Surplus for the year	31 351 988	31 351 988
Balance at June 30, 2013	<u>1 151 027 055</u>	<u>1 151 027 055</u>

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating</b>			
<b>Receipts</b>			
Cash receipts from taxes, levies and services charges		45 951 007	29 431 353
Grants		23 850 563	46 007 071
Interest income		435 648 794	484 818 260
Other receipts		21 371 863	7 317 739
		52 416 965	(52 193 493)
		579 239 192	515 380 930
<b>Payments</b>			
Employee costs		(157 966 572)	(131 883 457)
Suppliers		(260 090 897)	(146 275 107)
Finance costs	26	(1 742 851)	(371 432)
		(419 800 320)	(278 529 996)
<b>Net cash flows from operating</b>	29	<u>159 438 873</u>	<u>236 850 934</u>
<b>Cash flows from investing</b>			
Acquisition of fixed assets	2	-99 991 889	-124 175 621.58
Acquisition of intangible assets	3	-104 036	-
<b>Net cash flows from investing</b>		<u>(100 095 925)</u>	<u>(124 175 622)</u>
<b>Cash flows from financing activities</b>			
Proceeds from short term loan		48 000 000	8 213 046
Loan Repayments		-8 213 046	-
Movement in long term debtors		1 547 478	(200 964)
Finance lease payments		878 702	(539 778)
<b>Net cash flows from financing</b>		<u>42 213 134</u>	<u>7 472 304</u>
<b>Net increase/(decrease) in cash</b>		101 556 081	120 147 617
<b>Cash and cash equivalents at the</b>		190 736 629	70 589 012
<b>Cash and cash equivalents at the</b>	9	<u>292 292 710</u>	<u>190 736 629</u>

Statement of comparison of budget to actual amounts for the year ended 30 June 2013

Description

2012/2013

R thousand	Budget Adjustments (i.e. s28 and s31 of the MFMA)			
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Budget	Actual amount on comparable basis
<b>Revenue By Source</b>				
Property rates	32,500,000	(1,712,000)	30,788,000	35,024,960
Service charges	61,050,000	(25,040,000)	36,010,000	35,494,742
Rental of facilities and equipment	600,000	-	600,000	504,306
Interest earned - external investments	10,000,000	500,000	10,500,000	10,443,610
Interest earned - outstanding debtors	24,000,000	(13,200,000)	10,800,000	10,928,254
Fines	6,000,000	(3,000,000)	3,000,000	3,862,686
Licences and permits	11,000,000	2,000,000	13,000,000	11,773,953
Transfers recognised	430,062,000	59,336,000	489,398,000	414,254,437
Other revenue	156,908,000	(46,973,000)	109,935,000	106,394,787
Gains on disposal of PPE			-	3,540,213
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>732,120,000</b>	<b>(28,089,000)</b>	<b>704,031,000</b>	<b>628,681,736</b>
				<b>75,349,264</b>
<b>Expenditure By Type</b>				
<b>Employee related costs</b>				
Remuneration of councillors	167,444,000	(13,966,000)	153,478,000	143,237,621
Debt impairment	24,098,000	(3,231,000)	20,867,000	20,411,699
Depreciation & asset impairment	52,900,000	(5,320,000)	47,580,000	41,857,880
Finance charges	25,016,000	13,478,000	38,494,000	42,897,486
Contracted services	4,050,000	(1,310,000)	2,740,000	1,742,851
Other expenditure	700,000	-	700,000	325,468
Loss on disposal of PPE	251,129,000	6,233,000	257,362,000	260,613,685
<b>Total Expenditure</b>	<b>525,337,000</b>	<b>(4,116,000)</b>	<b>521,221,000</b>	<b>511,086,690</b>
				<b>10,134,310</b>
<b>Surplus/(Deficit) for the year</b>	<b>206,783,000</b>	<b>(23,973,000)</b>	<b>182,810,000</b>	<b>117,595,046</b>
				<b>65,214,954</b>

Explanation on material differences between final budget and actual are disclosed in note 38

Accounting Policies

1.1 BASIS OF ACCOUNTING

1.1.1 BASIS OF PREPARATION

These annual financial statements have been prepared in accordance with Standards of General Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, Act No 56.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The principle accounting policies adopted in the preparation of these annual Financial Statement are set out below.

Asset, Liabilities, Revenue and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the note.

1.1.2 PRESENTATION CURRENCY

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality

GOING CONCERN ASSUMPTION

1.1.3

These Annual Financial Statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the foreseeable future. Prior period errors are detailed on the notes to the financial statements

1.1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. When comparative amounts are reclassified, the following is disclosed:

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

When it is impracticable to reclassify comparative amounts, the following is disclosed:

- (a) the reason for not reclassifying the amounts; and
- (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly, where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly

1.1.5 GRAP STANDARDS EFFECTIVE AND ADOPTED DURING THE YEAR

The following GRAP standards has been effective and adopted during the year:

- GRAP 21 Impairment of Non-cash- generating Assets
- GRAP 23 Revenue from Non-exchange Transactions ( Taxes and Transfers)
- GRAP 24 Presentation of Budget information in the financial statements
- GRAP 26 Impairment of Cash - Generating Assets
- GRAP 104 Financial Instruments

1.1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

The following GRAP standards standards have been issued but are not effective

- GRAP 18 Segment Reporting (2011)
- GRAP 20 Related party
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of function between entities not under common control
- GRAP 107 Mergers

1.1.6 EFFECTIVE STANDARDS NOT YET ADOPTED

GRAP 25 Employee benefits has not been early adopted by the municipality

## 1.2 PROPERTY, PLANT AND EQUIPMENT

### 1.2.1 INITIAL RECOGNITION AND MEASUREMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

### 1.2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND)

Subsequent to initial recognition, land is carried at a revalued amount in terms of valuation roll which is done every five years unless the validity of the valuation roll is extended by the MEC of COGSTA, the extended valuation roll will be used.

If the carrying amount of an asset is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If the carrying amount of an asset is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

### 1.2.3 SUBSEQUENT MEASUREMENT- COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it meets the recognition criteria of Property, Plant and equipment.

### 1.2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life. The depreciation rates are based on the following estimated average asset useful lives:

Item	Average useful life
<b>Finance lease assets</b>	
Office equipment(term of the lease)	3-5 Years
Other Assets (term of the lease)	3-5 Years
<b>Infrastructure</b>	
Roads and Paving	10-30 Years
Pedestrian Malls	20 Years
Electricity	20-30 Years
Water	15-20 Years
Sewerage	15-20 Years
Security measures	3-5 Years
<b>Community</b>	
Buildings & other assets	30 Years
Recreational Facilities	20 Years



Other property, plant and equipment	
Buildings	30 Years
Plant and equipment	5-18 Years
Motor vehicles	6-10 years
Office equipment	8-10 years
Furniture and fittings	13 years
Bins and containers	8-13 years
Emergency equipment	5-15 years

The residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 1.2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance..

#### 1.3 Intangible assets

##### INITIAL RECOGNITION AND

#### 1.3.1 MEASUREMENT

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

"Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost is deemed to be equal to its fair value as at the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

##### SUBSEQUENT MEASUREMENT - COST MODEL

#### 1.3.2

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

##### AMORTISATION AND

#### 1.3.3 IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

The estimated useful life of intangible assets is 3 - 5 Years

The amortisation period, residual values and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 1.3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.4 Financial instruments

##### Initial recognition and

##### 1.4.1 Measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

An entity recognises financial assets using trade date accounting.

When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### 1.4.2 Subsequent measurement

An entity shall measure all financial assets and financial liabilities after initial recognition using the following categories defined in paragraph 14:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### 1.4.3 Derecognition

An entity shall derecognise a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall:
  - (i) derecognise the asset; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised in accordance with this paragraph shall be recognised in surplus or deficit in the period of the transfer.

An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived

##### 1.4.4 Gains/Losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value shall be recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment of Financial

##### 1.4.5 Instruments

Financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

##### 1.4.6 Offsetting

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

- (a) currently has a legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability

#### 1.5 Leases

##### 1.5.1 Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### Initial Recognition and Measurement

At the commencement of the lease term, lessees shall recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in their statement of financial position. The assets and liabilities shall be recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

##### Subsequent Measurement

Minimum lease payments shall be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents shall be charged as expenses in the periods in which they are incurred.

##### 1.5.2 Operating leases

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

#### 1.5.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term. Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

Lease payments under an operating lease shall be recognised as an expense in the statement of financial performance on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

#### 1.5.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

## 1.6 Inventories

### 1.6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

In general, the basis of allocating cost to inventory items is the weighted average method.

### 1.6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.6.3 Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.7 Impairment of assets**

A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount.

**1.7.1 Recognition and measurement**

If, and only if, the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss shall be recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP (for example, in accordance with the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**1.7.2 Reversal of Impairment loss**

An entity shall assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable service amount of that asset.

A reversal of an impairment loss for an asset shall be recognised immediately in surplus or deficit unless the asset is carried at revalued amount in accordance with another Standard of GRAP (for example, the revaluation model in the Standard of GRAP on Property, Plant and Equipment). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other Standard of GRAP.

**1.7.3 Redesignation of assets**

The redesignation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a redesignation is appropriate. A redesignation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss.

## 1.8 Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure expected to be required to settle the present obligation at the reporting period. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met: (a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned; - the principal locations affected; - the location, function, and approximate number of employees who will be compensated for terminating their services; - the expenditures that will be undertaken; and - when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## 1.90 REVENUE

### Revenue from exchange

#### 1.9.1 transactions

Revenue shall be measured at the fair value of the consideration received

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: (a) The amount of revenue can be measured reliably. (a) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. (c) The stage of completion of the transaction at the reporting date can be measured reliably. (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Revenue from the rental/hiring of facilities and equipment is recognised as revenue once the booking and payment has been made.

#### Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied: (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods. (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. (c) The amount of revenue can be measured reliably. (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity. (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits. Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer. Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.



**Interest, royalties and dividends  
or similar distributions**

Royalties and dividends or similar distributions shall be recognised when: (a) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and (b) the amount of the revenue can be measured reliably. Revenue shall be recognised using the following accounting treatments: (a) Interest shall be recognised using the effective interest rate method set out in the Standard of GRAP on Financial Instruments. (b) Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement. (c) Dividends or similar distributions shall be recognised when the owner's right to receive payment is established.

Interest revenue is recognised on a time proportion basis.

**Revenue from non-exchange  
transactions**

**1.9.2**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received. Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**1.9.3 Grants, transfer and donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.10 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**1.11 Unauthorised Expenditure**

Unauthorised expenditure is expenditure that has been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance

**1.12 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.13 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.14 Employee Benefits**

**1.14.1 Short-term employee benefits**

Short-term employee benefits include items such as:

(a) wages, salaries and social security contributions;

(b) short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service

**Recognition and measurement**

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset

**Bonus, incentive and performance related payments**

An entity shall recognise the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and

(b) a reliable estimate of the obligation can be made.

**1.14.2 Post-employment benefits: Defined contribution plans**

Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions. In order to be classified as a defined contribution plan a post-employment benefit plan must require the entity to pay fixed contributions into a separate entity.

**Recognition and measurement**

When an employee has rendered service to an entity during a reporting period, the entity shall recognise the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they shall be discounted using the discount rate specified.

**1.14.3 Other long-term employee benefits**

Other long-term employee benefits may include, for example:

- (a) long-term compensated absences such as long service or sabbatical leave;
- (b) other long service benefits;
- (c) long-term disability benefits;
- (d) bonus, incentive and performance related payments payable twelve months or more after the end of the reporting period in which the employees render the related service;
- (e) deferred compensation paid twelve months or more after the end of the reporting period in which it is earned; and
- (f) compensation payable by the entity until an individual enters new employment.

The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. This Standard includes a rebuttable presumption that long-term disability payments are not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. Where this presumption is rebutted the municipality considers whether some or all long-term disability payments should be accounted for.

**Recognition and measurement**

The amount recognised as a liability for other long-term employee benefits shall be the net total of the following amounts:

- (a) the present value of the defined benefit obligation at the reporting date
- (b) minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly

**1.15 Related parties**

An entity shall disclose:

- (a) The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class;
- (b) The total amount of all other remuneration and compensation provided to key management personnel, and close members of the family of key management personnel, by the reporting entity

**Presentation of Budget**

**1.16 information**

presentation of a comparison of the budget amounts for which it is held publicly accountable and actual amounts is presented as a separate additional financial statement. The comparison of budget and actual amounts is present separately for each level of legislative oversight:

- (a) the approved and final budget amounts;
- (b) the actual amounts on a comparable basis; and
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Note 2 Property, Plant and Equipment

	Community Assets	Finance lease	Furniture	Infrastructure	IT Equipment	Buildings	Land	Machinery Plant & Em	Office Equipment	Vehicles	Grand Total
Cost/Revaluation	108 332 241,35	1 235 708,82	4 123 434,57	425 382 747,08	2 835 035,15	31 717 788,15	314 897 555,00	288 294,28	397 701,83	33 971 280,04	921 251 767,07
Correction of Error: Cost	119 116 011	2 615 778	4 465 853	544 208 154	3 413 068	29 184 461	314 857 555	340 591	478 156	44 422 463	1 063 308 017
Transfers between categories- cost	(8 383 911)	1 140 064	(8 483 132)	(112 702)	(12 800)	13 177 700	-	105 612	84 998	5 124 397	4 872 147
Transfers between categories- acc dip	7 115 179	(1 201)	(7 116 379)	(103 468 579)	(1 034 046)	(5 585 925)	-	12 809	-	-	-
Accumulated Depreciation 1 July 2013	(12 540 259)	(1 368 883)	(1 805 385)	(103 468 579)	(1 034 046)	(5 585 925)	-	(173 885)	(228 031)	(17 703 040)	(143 932 023)
Correction of Error: Accumulated Depreciation	(783 275)	(13 186)	292 284	-	352 057	(5 038 447)	-	4 176	62 579	2 127 440	(2 996 374)
WIP	17 012 030	-	-	52 289 485	-	-	-	-	-	-	69 301 515
Additions	1 642 815	-	650 052	18 937 618	2 037 607	-	-	-	399 617	7 028 665	30 690 374
Depreciation and Impairment loss	(2 319 226)	(976 242)	(359 716)	(34 192 991)	(282 985)	(1 411 405)	-	(36 413)	(55 053)	(2 974 938)	(42 608 968)
Carrying amount of Disposal	-	712 552	28 248	-	30 314	-	-	375	1 257	-	770 744
Cost/Revaluation	2 615 778	59 295	59 295	65 861	-	-	-	1 500	5 027	-	2 747 461
Accumulated Depreciation	(1 903 226)	(33 049)	-	(35 547)	-	-	-	(1 125)	(3 770)	-	(1 978 717)
Carrying amount 30 June 2013	121 025 045	1 189 729	4 397 525	462 418 890	4 559 343	30 306 364	314 857 555	281 507	735 009	38 024 987	977 863 944
Cost/Revaluation	135 656 606	1 642 815	6 228 474	600 106 430	5 488 770	42 343 161	314 857 555	466 513	949 744	56 575 535	1 155 034 597
Accumulated Depreciation and Impairment loss	(15 641 561)	(453 086)	(1 840 949)	(137 689 570)	(929 427)	(12 035 777)	-	(205 006)	(214 736)	(18 550 538)	(187 560 648)
Carrying amount at 01 July 2011	87 359 848	2 284 509	2 870 881	384 352 588	1 880 588	24 552 746	314 857 555	313 034	281 778	19 709 131	838 353 868
Cost/Revaluation	98 211 774	5 732 281	4 441 072	459 123 745	3 063 954	25 171 376	314 857 555	605 969	542 576	39 871 337	955 721 589
Accumulated Depreciation	(10 851 926)	(3 467 772)	(1 570 191)	(74 770 147)	(1 383 366)	(4 618 580)	-	(282 935)	(250 798)	(20 162 206)	(117 367 823)
Acquisition	-	-	286 052	-	1 547 963	0	-	73 498	76 462	15 354 359	17 338 334
Capital under construction	21 245 695	-	85 172 409	-	-	-	-	-	-	-	106 438 104
Depreciation	(1 918 724)	(758 186)	(355 566)	(28 726 432)	(493 465)	(972 606)	-	(101 510)	(75 490)	(4 756 150)	(38 159 129)
Carrying Value of Disposal	131 055	257 438	109 880	-	355 136	1603 71	-	109 326	42 625	3 587 917	4 584 981
Cost/Revaluation	381 438	3 116 503	231 271	688 6	1 107 621	688 6	-	330 878	142 882	10 803 233	18 160 019
Accumulated Depreciation and Impairment	(230 393)	(2 859 075)	(121 392)	-	(842 785)	-5281 29	-	(20 550)	(100 257)	(7 215 316)	(11 585 029)
Carrying amount at 30 June 2012	106 575 752	1 248 895	2 690 488	440 795 575	2 379 950	23 778 536	314 857 555	175 696	250 125	26 719 423	819 375 864
Cost/Revaluation	119 116 011	2 615 778	4 495 853	544 208 154	3 413 996	29 184 461	314 857 555	349 591	478 156	44 422 463	1 063 308 017
Accumulated Depreciation	(12 540 259)	(1 368 883)	(1 805 385)	(103 468 579)	(1 034 046)	(5 585 925)	-	(173 885)	(228 031)	(17 703 040)	(143 932 023)

No assets were pledged as security  
The last valuation for the land was done in 2009. This valuation was done by the professional valuer. The assumptions used to determine the values was with reference to the market values. Revaluation of land is done every 5 years.

The useful lives, impairment and residual values of all the assets were reviewed and assessed at year end.

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**Note 3 Intangible assets**

Reconciliation of carrying value	Computer Software R	Total R
as at 01 July 2012	2 547 615	2 547 615
Cost	4 258 229	4 258 229
Correction of prior year error( Note 36)	1 832 971	1 832 971
Accumulated amortisation and impairment losses	(3 543 585)	(3 543 585)
Acquisitions	104 036.40	104 036.40
Amortisation	-288 518.49	-288 518.49
as at 30 June 2013	2 363 133	2 363 133
Cost	4 362 265	4 362 265
Accumulated amortisation and impairment losses	(1 999 133)	(1 999 133)

  

Reconciliation of carrying value	Computer Software R	Total R
as at 01 July 2011	1 768 759.00	1 768 759.00
Cost	4 321 211.00	4 321 211.00
Correction of error Acc depreciation (Note 37.5)	(2 552 452)	(2 552 452)
Acquisitions		
Amortisation	(1 054 115)	(1 054 115)
Carrying value of disposals		
Cost	62 982.00	62 982.00
Accumulated amortisation	(62 982)	(62 982)
as at 30 June 2012	714 643.92	714 643.92
Cost	4 258 229.00	4 258 229.00
Accumulated amortisation and impairment losses	(3 543 585)	(3 543 585)

No intangible asset was pledged as

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	2013	2012
<b>Non current receivables from Note 4 exchange transactions</b>		
Debtors Agreements	1 206 519	3 673 573
LESS:Provision for bad debts		(919 576)
	<u>1 206 519</u>	<u>2 753 997</u>
Less: short term portion	(729 034)	(1 261 206)
Non current portion	<u>477 485</u>	<u>1 492 791</u>
<b>Reconciliation of provision for bad debts on agreements</b>		
Opening	-919 576	-
Contribution	-	-919 576
reversal	919 576	-
Closing	<u>-</u>	<u>-919 576</u>

The long term receivables are as a result of arrangement made between the consumer debtors and the municipality to settle their account.

An assessment was performed on the individual debtors and no debt appeared to be impaired.

**Note 5 Inventories**

Consumable stores	700 531	853 376
Unsold Sites	10 087 428	10 598 058
	<u>10 787 960</u>	<u>11 451 434</u>

**INVENTORY**

Opening balance of consumables	853 375	713 286
Opening balance of Unsold sites	10 598 059	16 790 186
Total opening balance of inventories	<u>11 451 434</u>	<u>17 503 472</u>

**Additions**

Consumable stores	2 184 856	2 477 975
Total additions	<u>2 184 856</u>	<u>2 477 975</u>

**Recognised as an expense**

Consumable stores	-2 301 443	-2 337 886
Site Solds	-510 630	-6 192 127
Inventory writte off	-36 258	-70 666
Total issued/(Sold)	<u>-2 848 330</u>	<u>-8 600 679</u>

Closing balance of consumable	700 531	853 375
Closing balance of unsold sites	10 087 428	10 598 059
Total closing balance of	<u>10 787 960</u>	<u>11 451 434</u>

No inventory was pledged as security.

**Note 6 Consumer Debtors**

Service debtors	213 429 317	171 816 261
Provision for Bad Debts	(189 603 651)	(163 628 106)
	<u>23 825 666</u>	<u>8 188 155</u>

The detail age analysis is in note 7

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**Note 7 Consumer debtors**

Analysis of financial assets that are  
Note 7.1 determined to be impaired as at the

<b>Rates</b>		
Current (0 -30 days)	4 942 892	3 832 130
31 - 60 days	1 349 450	1 119 006
61 - 90 days	1 292 306	1 066 451
91 - 120 days	1 244 762	1 054 163
121 days +	32 103 024	34 030 547
	<u>40 932 434</u>	<u>41 102 297</u>
<b>General Services</b>		
Current (0 -30 days)	1 236 431	638 291
31 - 60 days	541 250	511 499
61 - 90 days	519 865	471 464
91 - 120 days	496 021	456 217
121 days +	78 367 836	66 520 176
	<u>81 161 402</u>	<u>68 597 647</u>
<b>Other</b>		
Current (0 -30 days)	8 373 918	7 923 410
31 - 60 days	4 466 239	2 541 657
61 - 90 days	4 589 010	2 224 123
91 - 120 days	3 929 215	2 343 494
121 - 365 days	69 977 099	47 083 635
	<u>91 335 481</u>	<u>62 116 319</u>

**Summary of debtors by customer**

	<b>2013</b>	<b>2012</b>
<b>Consumers</b>		
Current (0 -30 days)	14 553 241	12 393 831
31 - 60 days	6 356 939	4 172 162
61 - 90 days	6 401 181	3 762 038
91 - 120 days	5 669 998	3 853 874
121 - 365 days	180 447 959	147 634 358
	<u>213 429 317</u>	<u>171 816 263</u>

No Trade receivables at the end of  
the reporting date were not impaired

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	163 628 106	245 468 466
Contributions to provision	41 857 880	
Doubtful debts written off against	(15 882 334)	(83 915 584)
Reversal of provision		(17 369 772)
Correction of prior year error		19 444 996
Balance at end of year	<u>189 603 651</u>	<u>163 628 106</u>

**Note 7.2 Receivables from non- exchange**

	<b>2013 Total</b>	<b>Provision for bad debts</b>	<b>Carrying Amount</b>
Propert Rates	40 932 434	(36 363 041)	4 569 393
	<u>40 932 434</u>	<u>(36 363 041)</u>	<u>4 569 393</u>
<b>2012</b>			
Propert Rates	41 102 297	(39 143 507)	1 958 790
	<u>41 102 297</u>	<u>-39 143 507</u>	<u>1 958 790</u>

	<b>Total</b>	<b>Provision for bad debts</b>	<b>Carrying Amount</b>
<b>Note 7.3 Receivables from non- exchange transactions</b>			
<b>2013</b>			
General services	81 161 402	-72 101 145	9 060 257
Other	91 335 481	-81 139 465	10 196 016
	<u>172 496 883</u>	<u>-153 240 611</u>	<u>19 256 273</u>
<b>2012</b>			
General services	68 597 647	(65 328 525)	3 269 122
Other	62 116 319	(59 156 074)	2 960 245
	<u>130 713 966.00</u>	<u>(124 484 600)</u>	<u>6 229 366</u>

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**Note 8 exchange transactions**

MIG	-	19 026 260
VDM Debtor	3 522 218	50 398 246
R/D Cheques	56 625	84 081
Other debtors	1 461 078	1 525 274
	<u>5 039 921</u>	<u>71 033 861</u>

**Note 9 Cash and cash equivalents**

Cash and cash equivalents consist of:

Bank balances	19 247 533	23 943 201
Money Market	1 123 475	1 085 645
Call deposits	271 921 691	165 707 783
	<u>292 292 699</u>	<u>190 736 629</u>

Current assets	292 292 699	190 736 629
Current liabilities	<u>292 292 699</u>	<u>190 736 629</u>

Bank Guarantee	<u>850 000</u>	<u>450 000</u>
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Included in the main primary bank account is guarantee/security of R850 000 to post office. Should

**Cash and cash equivalents**

The money market account has been pledged as	<u>1 085 645</u>	<u>1 085 645</u>
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Terms and conditions

The DBSA shall be entitled, at any time if Thulamela

The municipality had the following

Account number / description	Bank statement balances		
	30-Jun-13	30-Jun-12	30-Jun-11
FNB BANK - Account Type -	30 787 477	46 725 900	20 949 189
FNB BANK - Account Type - CALL-	154 387 764	129 696 195	36 290 603
FNB BANK - Account Type - CALL- 62090588793	177 533 926	36 011 588	44 286 184
FND BANK - Account Type -	1 123 475	1 085 645	-
MONEY MARKET- 62336900320			
<b>Total</b>	<u>363 832 642</u>	<u>213 519 328</u>	<u>101 525 976</u>



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Account number / description	Cash book balances		
	30-Jun-13	30-Jun-12	30-Jun-11
FNB BANK - Account Type -	19 247 533	23 943 201	-9 987 775
FNB BANK - Account Type - CALL- 62090588016	154 387 764	129 696 195	36 290 603
FNB BANK - Account Type - CALL-	117 533 927	36 011 588	44 286 184
FNB BANK - Account Type -	1 123 475	1 085 645	0
MONEY MARKET- 62336900320			
<b>Total</b>	<b>292 292 699</b>	<b>190 736 629</b>	<b>70 589 012.00</b>

**Note 10 Short term loan**

<b>Current liabilities</b>		
Bank loan (DBSA)	<b>49 188 446</b>	<b>8 213 046</b>

The municipality has entered into a loan agreement with the DBSA to fund electrification projects. According to the terms and conditions of the loan, interest will be calculated on the amount of loan outstanding on the basis of the actual number of days elapsed and a 365 day year. The interest amount is included on finance cost.

**Note 11 FINANCE LEASE LIABILITY**

2013	Minimum lease payment R	Future finance charges R	Present value of Lease payments R
<b>Amounts payable under finance lease</b>			
Within one year	1 524 104	275 565	1 248 539
Within two to five years	1 246 906	96 669	1 150 237
	<b>2 771 010</b>	<b>372 233</b>	<b>2 398 777</b>
Less: Amount due for settlement within 12 months (current portion)			1 248 539
			<b>1 150 237</b>

The average lease term for the two old multipurpose machines is 5 years and the average effective borrowing rate prime plus 5% on all amounts overdue in terms of this agreement, calculated on a daily basis from the due date of payment until the actual date of payment. Some leases have fixed repayment terms. Obligations under finance leases are secured by the lessor's title to the leased asset.

23 new machines were purchased on finance lease and the lease term for these machines is 3 years. The average interest rates is at 1.33846% p.a. on all outstanding balance. The assets will be transferred to the municipality at the end of the lease term.

2012	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance lease</b>			
Within one year	737 202	179 217	557 985
Within two to five years	1 061 562	99 473	962 090
	<b>1 798 764</b>	<b>278 690</b>	<b>1 520 074</b>
Less: Amount due for settlement within 12 months (current portion)			557 985
			<b>962 090</b>

The average lease term is 5 years and the average effective borrowing rate prime

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Note 12 receipts	2013	2012
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and		
MIG	-	-
NDPG	50 802 647	52 218 046
EPWP	-	2 633 000
Electricity Demand side	5 442 756	-
Disaster Management grant	20 000 000	-
	<u>76 245 403</u>	<u>54 851 046</u>

See note 19 for reconciliation of grants and receipts from National/Provincial Government.

Note 13 Provisions	2013	2012
Current provisions		
Provision for Performance bonus	442 207	442 207
Total Provisions	<u>442 207</u>	<u>442 207</u>

Performance bonuses are paid one year in arrear. The

The movement in current provisions are reconciled as fo

	Provision for Performance bonus	
Balance at the beginning of year	442 207	442 207
Contributions to provision	0	0
Total Provision	<u>442 207</u>	<u>442 207</u>

**Long term provision**

Provision for long service award	7 246 646	7 875 475
Provision for long term leave	7 754 421	1 442 844
	<u>15 001 067</u>	<u>9 318 320</u>

The movement in long term provisions are reconciled as

	Provision for long service award	Provision for long term leave
Balance at the beginning of year	7 875 475	1 442 844
Contributions/reversal to provision	(628 829)	6 311 577
Total provisions	<u>7 246 646</u>	<u>7 754 421</u>

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Trade and other payables from Note 14 exchange transactions	2013	2012
Trade payables	10 949 972	3 218 783
Accrued Expense	7 159 699	9 831 939
Sundry Creditors	171 699	7 112
Retention creditors	22 335 453	25 197 055
Income received in advance	5 025 394	5 502 531
Staff leave accrual	738 776	4 954 420
Stale Cheques	8 796	8 796
Unidentified Deposits	1 845 145	1 897 133
Sundry Creditors Bonus	3 079 225	2 470 795
	<u>51 314 157</u>	<u>53 088 564</u>

Note 15 Consumer deposits

Rental of facilities	<u>34 546</u>	<u>20 437</u>
Consumer Deposits are as a result of refundable deposit that consumers pay for rental of facilities.		

Note 16 Revenue	2013	2012
Property rates	35 024 960	25 425 680
Service charges	35 494 742	35 759 268
Rental of facilities & equipment	504 306	499 006
Interest received – trading	10 928 254	-
Fines	3 862 686	4 005 673
Licences and permits	11 773 953	11 403 628
Government grants & subsidies	414 254 437	430 804 605
Proceeds from sale of assets	3 073 907	-
	<u>514 917 247</u>	<u>507 897 861</u>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	35 494 742	35 759 268
Rental of facilities & equipment	504 306	499 006
Interest received – trading	10 928 254	-
Licences and permits	11 773 953	11 403 628
Proceeds from sale of assets	3 073 907	-
	<u>61 775 163</u>	<u>47 661 903</u>

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	35 024 960	25 425 680
Fines	3 862 686	4 005 673
Transfer revenue	414 254 437	430 804 605
Levies		
	<u>453 142 084</u>	<u>460 235 958</u>

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**Note 17 Property rates**

Actual

Residential	8 564 508	7 183 125
Business	12 133 884	9 217 014
State	14 326 568	9 025 541
	<u>35 024 960</u>	<u>25 425 680</u>

**Valuations**

Residential	24 524 547 021	1 732 617 000
Commercial	10 985 061 608	991 280 600

State	11 332 837 039	984 824 500
Municipal	4 298 936 800	333 859 555
	<u>51 141 382 468</u>	<u>4 042 581 655</u>

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

Municipal rates on the tariff listing is applied to property valuations to determine assessment rates. Rates are levied on an annual basis on property owners.

**Note 18 Service charges**

General Services	1 128 482	34 711 438
Refuse removal	34 366 260	1 017 777
Sewerage and sanitation charges	-	30 053
	<u>35 494 742</u>	<u>35 759 268</u>

**Note 19 Government grants and subsidies**

	2013	2012
Equitable share	260 695 000	235 608 000
Finance Management Grant	1 500 000	1 250 000
MSIG	800 000	790 000
Neighbourhood Development Grant	41 362 453	72 834 900
Municipal Infrastructure Grant	55 328 740	80 321 705
Electricity Grant	50 557 244	40 000 000
EPWP INTEGRATED GRANT	4 011 000	-
	<u>414 254 437</u>	<u>430 804 605</u>

**19.1 Equitable Share**

The grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a rebate of R840 which is funded from the grant.

**19.2 Municipal Infrastructure Grant**

Balance unspent at beginning of year	-19 026 260	445
Current-year receipts	74 355 000	61 295 000
Conditions met - transferred to revenue	-55 328 740	-80 321 705
	<u>-</u>	<u>-19 026 260</u>

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household.

**19.3 Neighbourhood Development**

	2013	2012
Balance unspent at beginning of year	52 218 046	52 946
Current-year receipts	40 000 000	125 000 000
Conditions met - transferred to revenue	-41 362 453	-72 834 900
Transferred back to Treasury	-52 946	-
Unspent amount at year end	<u>50 802 647</u>	<u>52 218 046</u>

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**19.4 EPWP grant**

Balance unspent at beginning of year	2 633 000	784 000
Current-year receipts	1 378 000	1 849 000
Conditions met - transferred to revenue	-4 011 000	-
Unspent amount at year end	<u>-</u>	<u>2 633 000</u>

**19.5 Municipal Systems Improvement**

Balance unspent at beginning of year	-	-
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	800 000	-790 000
	<u>-</u>	<u>-</u>

This grant was used to build in house capacity to perform the functions and stabilize institutional and governance systems .

**19.6 Integrated National Electrification Grant (INEG)**

Balance unspent at beginning of year	-	-
Current-year receipts	50 000 000	40 000 000
Conditions met - transferred to revenue	-50 000 000	-40 000 000
	<u>-</u>	<u>-</u>

The grant was used to address the electrification back-log of permanently occupied residents. The conditions of the grant were met.

**19.7 Finance Management Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	1 500 000	1 250 000
Conditions met - transferred to revenue	-1 500 000	-1 250 000
	<u>-</u>	<u>-</u>

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003 .

**19.8 Energy Efficiency Demand side**

Balance unspent at beginning of year	-	2012
Current-year receipts	6 000 000	-
Conditions met - transferred to revenue	-557 244	-
Unspent amount at year end	<u>5 442 756</u>	<u>-</u>

**19.9 Disaster Relief Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	20 000 000	-
Conditions met - transferred to revenue	-	-
Unspent amount at year end	<u>20 000 000</u>	<u>-</u>

**Note 20 Other revenue**

Sundry Revenue	6 446 865	2 350 057
Building plan fees	339 035	176 042
Refund skills development levy	774 664	875 437
Sale of sites	8 597 681	7 553 411
Sale of assets	3 073 907	-
	<u>19 232 153</u>	<u>10 954 946</u>

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Note 21 General expenses	2013	2012
Advertising Total	665 155	884 709
Audit Fees External Total	1 987 677	1 973 065
Audit Fees Internal Total	627	64 647
Bank Charges Total	416 721	607 845
Books and Publications Total	55 573	172 167
Cellular Phone Expenses Total	885 721	625 476
Cleaning Material Total	1 227 765	1 510 342
Conference Expenditure Total	2 697 433	2 316 199
COST OF SITE SOLD Total	510 630	6 192 127
dermacation of sites	151 525	
disability development plan pr Total	17 450	15 500
Disaster Relief Total	302 846	378 431
Disaster Relief Total	392 375	
Electric- Development of Sites Total	1 645 480	279 349
Electricity - Departmental Total	5 603 331	3 006 300
ELECTRICITY PROJECTS Total	2 145 826	42 684 377
ELECTRIFICATION PROJECTS Total	76 043 628	
Employee Wellness Programme Total	50 900	
ENERGY EFFICIENCY AND DEMAND Total	488 811	
Entertainment Total	12 391	29 467
environmental campaign Total	332 235	121 537
establishment of safety commit Total	3 000	
Establishment WMC Total	1 000	
Fuel & Oil Total	5 032 010	4 978 640
Indigent Subsidy Total	11 439 729	19 701 953
Insurance Excess Total	35 985	64 929
Insurance General Total	320 456	248 083
IT Accessories Total		434 363
LANDFILL Total	1 710 526	1 455 789
Legal costs Total	5 939 960	6 512 015
Licence & Registration (Provi Total	393 628	227 009
Library	310 000	
Licence Application (Prodiba) Total	-	477 991
Licences & Registration Total	-	149 100
Local Economic Development Total	723 783	235 965
mapungubwe and sports events Total	10 545	27 125
Mayor bursary scheme Total	158 355	-
Membership Fee Total	1 485 631	601 757
OPERATING LEASE PAYMENTS Total	-	374 834
PMS Total	252 594	-
PMU Total	73 303	4 108
policies and by-laws Total	-	-
Printing & Stationary Total	1 396 286	1 231 247
Professional Fees Total	3 170 858	1 428 498
public participation Total	3 928 941	1 727 226
Publicity Total	358 433	565 141
Refreshment Total	40 000	51 250
REGRAVELING OF STREETS Total	4 497 154	-
Rental of Equipment Total	1 053 652	1 304 394
Subsistance and Travel Total	-	1 990 099
STRATEGIC SESSION Total	21 798	-
Subsistance and Travel Total	3 479 474	-
Survey Cost Total	1 660	1 404
TECHNICAL ASSISSTANCE Total	2 350 816	805 607
Telephone Expenses Total	1 988 284	1 692 756
Touwing Total	-	179 379
TOWNSHIP ESTABLISHMENT AND SUB Total	368 248	2 690 467
Traffic Miscellaneous Total	40 306	36 926
Traffic Miscellaneous Total	-	-
traffic uniform Total	633 497	227 658
Training Total	3 134 282	2 559 898
Transport Departmental Total	-	250
Valuation Cost Total	833 333	62 091
Vhembe writeoff	50 398 246	
WATER PROJECTS Total	4 604 246	-
welfare development plan progr Total	26 625	23 163
women development plan program Total	41 921	40 900
Year end and inaguration	-	32 888
YOUTH DEVELOPMENT PLAN Total	115 900	96 502
Youth Hiv Women and Disable Total	-	19 150
	-	-
	<u>206 008 564.78</u>	<u>113 122 094.00</u>

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Note 22 Employee related costs	2013	2012
Salaries	92 959 050	73 384 708
Bonus	7 012 295	5 801 427
Medical aid - company contributions	2 824 251	2 168 515
Unemployment Insurance Fund	757 830	651 110
WCA	1 818 276	118 778
Skills Development Levy	1 080 173	858 931
Pension Fund Contribution	19 630 252	15 740 910
Travelling Allowance	8 679 380	6 792 008
Overtime	1 603 409	1 843 894
Long-service	956 919	755 643
Acting allowances	220 776	307 504
Industrial Council Levies	37 884	22 353
Housing Subsidy	286 991	233 847
Leave Bonus	1 026 838	1 225 769
Uniforms	-	113 046
Casual Labour	4 343 296	3 869 122
	<u>143 237 621</u>	<u>113 887 568</u>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	819 341	644 064
Car Allowance	248 059	230 118
Contributions to UIF, Medical and Pension Funds	163 301	150 459
Bonus	57 161	53 672
	<u>1 287 862</u>	<u>1 078 313</u>
<b>Remuneration of CFO</b>		
Annual Remuneration	650 470	579 657
Car Allowance	199 092	186 548
Bonuses	51 445	48 305
Contributions to UIF, Medical and Pension Funds	170 308	153 171
	<u>1 071 314</u>	<u>967 681</u>
<b>Corporate and human resources (corporate services)</b>		
Annual Remuneration	618 878	579 657
Car Allowance	223 075	206 941
Bonuses	51 445	48 305
Contributions to UIF, Medical and Pension Funds	145 963	136 022
	<u>1 039 361</u>	<u>970 925</u>
<b>Senior Manager: Technical</b>		
Annual Remuneration	780 836	579 657
Car Allowance	145 075	206 941
Bonuses	51 445	48 305
Contributions to UIF, Medical and Pension Funds	146 959	136 142
	<u>1 124 314</u>	<u>971 045</u>
<b>Senior Manager: Planning and Development</b>		
Annual Remuneration	695 083	579 657
Car Allowance	223 075	206 941
Bonuses	51 445	48 305
Contributions to UIF, Medical and Pension Funds	146 725	136 022
	<u>1 116 327</u>	<u>970 925</u>
<b>Senior manager: Housing and Electricity</b>		
Annual Remuneration	702 597	579 657
Car Allowance	169 834	130 257
Bonuses	51 445	37 670
Contributions to UIF, Medical and Pension Funds	179 750	146 582
	<u>1 103 626</u>	<u>894 167</u>
<b>Senior manager: Community services</b>		
Annual Remuneration	624 878	579 657
Car Allowance	149 759	144 112
Bonuses	39 565	36 966
Contributions to UIF, Medical and Pension Funds	130 856	120 270
	<u>945 058</u>	<u>881 005</u>

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**Note 23 Remuneration of councillors**

Mayor	689 662	471 903
Pension Fund	1 889 262	1 805 583
Cellphone Allowances	979 403	980 994
Speaker	559 300	331 483
Councillors	13 033 552	11 264 681
Chief whip	521 711	310 765
Medical aid	17666.67	-
Travelling Allowance	2 575 907	3 435 013
Skills Development Levy	145 236	146 361
	<u>20 411 699</u>	<u>18 746 783</u>

**In-kind benefits**

The Mayor, Speaker and Chief whip are full-time. Each is provided with an office.

The Mayor has use of a Council owned vehicle and driver for official duties.

Disclosure in terms of the MFMA, 2003, Section 124 (1) (a).

**Note 24 Investment revenue**

**Interest revenue**

Bank	10 443 610	7 317 739
Trade and other receivables	10 928 254	-
	<u>21 371 863</u>	<u>7 317 739</u>

The investment income above arise from from non-exchange transactions

**Note 25 Depreciation and amortisation**

Property, plant and equipment	42 608 968	38 158 487
Intangible assets	288 518	1 054 115
	<u>42 897 486</u>	<u>39 212 602</u>

**Note 26 Finance costs**

Current borrowings	1 318 405	71 082
Finance leases	398 845	257 319
Bank Overdraft	402	11 428
Other	25 199	31 603
	<u>1 742 851</u>	<u>371 432</u>

**Note 27 Rental of facilities and equipment**

**Facilities and equipment**

Rental of facilities	<u>504 306</u>	<u>499 006</u>
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**Note 28 Contracted services**

Security Services	<u>325 468</u>	<u>306 695</u>
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**Note 29 Cash generated from operations**

Surplus	31 351 988	185 343 751
<b>Adjustments for:</b>		
Depreciation and amortisation	42 897 486	39 212 602
Movements in provisions	5 682 748	750 895
Other non-cash items	807 000.64	4 019 280.93
<b>Changes in working capital:</b>		
Inventories	627 217	5 981 372
Consumer Debtors	-15 637 509	10 235 481
Other receivables from non-exchange transactions	72 887 437	-75 451 531
Consumer debtors Impairment		-
Trade and other payables	-585 961	12 733 109
Unspent conditional grants and receipts	21 394 357	54 013 655
Consumer deposits	14 109	12 322
	<u>159 438 873</u>	<u>236 850 936</u>



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Note 30 Commitments

<b>Authorised capital expenditure</b>		
<b>30.1 - Approved and contracted for</b>		
Community Assets	35 340 294	6 394 467
Infrastructure	132 887 313	91 217 562
Other	16 474 833	78 517 492
	<u>184 702 440</u>	<u>176 129 521</u>
 <b>The expenditure will be financed</b>		
MIG	74 334 604	18 921 081
NDPG	57 830 189	68 329 642
INEP	3 834 991	64 457 757
OWN	25 748 362	24 421 041
DRG	17 543 860	-
EEG	5 410 434	-
	<u>184 702 440</u>	<u>176 129 521</u>
<b>30.2 - Approved but not yet contracted for</b>	<u>-</u>	<u>-</u>

<b>Note 31 Contingent Liabilities</b>	<b>2013</b>	<b>2012</b>
Mr Matodzi Israel is suing the Municipality for damages	5 914 000	5 914 000
Netshifhehe N.M has been sued the municipality for damages caused	750 000	750 000
Netshivhumbe M is suing the municipality for damages caused	750 000	750 000
MACP Construction is suing the Municipality for a specific	659 868	659 868
matimda mman rikie is suing the municipality for damages arising out of unlawful arrest	350 000	350 000
municipality for damages arising out of injuries sustained by falling in a	120 000	120 000
The Municipal Employee Pension Funds is suing the Municipality for R 31 597 501 for to MEPF. Pension Contributions. An Amount of R 21	10 141 453	
Mpho Netshifhehe is suing the municipality for damages in the amount of R 25 000.00. The matter	25 000	
Maphugwi Edward Ravhanyaho is suing the Municipality for damages in the amount of R 75 000.00 . The	75 000	
Moses Malada is suing the Municipality for R 100 000.00 for	100 000	
Mudau V.M sued the Municipality for unlawful detention in the amount of R175 000.00. The Municipality filed notice of intention to defend ,	175 000	
Telkom issued combined summons for damages in the amount of R164 812.37. We defended the matter by filing a notice to defend an later filed a pea. The plaintiff applied for trial	164 812	
Manzere N.D issued combined summons for damages in an amount of R600 000.00 for unlawful arrest. All the pleadings have been filed and	600 000	
First Professional Care issued combined summons in the amount of R20 000 for damages not being appointed for security tender. The	20 000	
summons in the amount of R13 553.48 for damages of cables. We filed notice of intention to defend . Waiting for for Plaintiff to reply to our	13 553	
LTD sued the Municipality for the cancellation of the agreement to host a festival at Tshifulanani stadium on the 15th day of December 2012. The	2 075 000	
	<u>21 933 687</u>	<u>8 543 868</u>

Note 32 Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

	2013	Not later than one month	month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Gross Finance lease obligation		127 009	254 017	1 143 078	1 246 906	2 771 010
Trade and other payables		28 978 704				28 978 704
Retention Creditors			1 464 245	17 254 623	3 616 585	22 335 453
Loan		49 188 446				49 188 446
		<b>78 294 159</b>	<b>1 718 262</b>	<b>18 397 701</b>	<b>4 863 491</b>	<b>103 273 613</b>

  

	2012	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Gross Finance lease obligation		61 433	122 867	522 901	1 063 244	1 770 445
Trade and other payables		27 059 774	-			27 059 774
Retention creditors			7 000 471	12 686 836	5 509 748	25 197 055
Loan		-	8 213 046			8 213 046
		<b>27 121 207</b>	<b>15 336 384</b>	<b>13 209 737</b>	<b>6 572 992</b>	<b>62 240 320</b>

Trade and other payables exclude retention creditors.

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**Credit risk**

deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2013	2012
Money Market Investment	1 123 475	1 085 645
FNB Current account	19 247 752	23 943 201
FNB Call Account	271 921 691	165 707 810
Long term debtors	1 206 519	2 754 001
Trade and other receivables	28 865 587	138 356 219
	<u>322 365 024</u>	<u>331 846 876</u>

**Interest rates risk**

interest bearing assets, the municipality's income and operating cashflows are substantially independent of changes in market instruments exposed to interest rate risk were as follows:

Call deposits	271 921 691	165 707 810
Money Markets	1 123 475	1 085 645
Borrowings	49 188 446	8 213 046
	<u>273 045 166</u>	<u>166 793 455</u>

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**Note 33 Fruitless and wasteful expenditure**

	2013	2012
Opening	1 370 418	1 370 418
Current year fruitless & wasteful	28 464	675 525
Condoned		
Transferred to receivables		-
	<u>1 398 882</u>	<u>1 370 418</u>

The current year fruitless expenditure is composed of and amount R26 591.78 incurred from Telkom, R 1 469.78 from Eskom and R402 18 from bank debit balance. Investigations are being conducted

**Note 34 Irregular expenditure**

Opening balance	59 151 861	31 109 728
Current year irregular	672 947	28 042 133
Condoned	-	-
Transferred to receivables	-	-
Irregular expenditure awaiting	<u>59 824 808</u>	<u>59 151 861</u>

expired. Investigation is in the process. These expenditure has been reported to council, provincial treasury and Coghsta.

Investigations are being conducted by MPAC

**Note 35 Employee benefit obligations**

**Defined contribution plan**

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution funds were used in the current financial year.

The municipality is under no obligation to cover any unfunded benefits. The total municipal contribution to such schemes are as listed below

Municipal Graduity Fund	3 980 340	3 201 206
Momentum provident Funds	8 125 272	7 753 822
GEPP	-	1 769
National Fund for Municipal workers	2 225 790	897 136
Municipal Employees pension fund	5 672 313	6 252 655
Municipal Councillors pension fund	2 069 711	1 805 583
Total Contribution	<u>22 073 426</u>	<u>19 912 172</u>

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Note 36 Prior period errors

2013

2012

- 36.1 During the year ended 30 June 2012 creditors were overstated by an amount of 1 267 335.69 as a result of paid creditors being recorded as stale cheques, the comparative amount has been restated by decreasing creditors balance as follows:

VAT	-102 109
Creditors	1 267 336
Net effect on statement of	<u>1 165 226</u>
Adjustment against Accumulated Surplus at the end of 2012 year	<u>-1 165 226</u>

- 36.2 During the financial year ended 30 June 2012 creditors were overstated by an amount of R 184 132.00 as a result of a direct deposit into the municipality's bank account not being identifiable. The deposit has been identified as purchase of site that should have been recognised as revenue in the year ended 30 June 2010, the comparative figures has been restated by decreasing the un-identified deposits balance as follows:

Output VAT	-22 612
Un-identified deposits	184 132
Net effect on statement of	<u>161 520</u>
Adjustment against Accumulated Surplus at the end of 2012 year	<u>-161 519</u>

- 36.3 During the financial year ended 30 June 2012 Creditors were overstated by an amount of R 179 584.32 as a result of a paid creditor being erroneously recorded as an accrual. The comparative figures has been restated by decreasing the Creditors balance as follows:

General Expenses	-179 584
Net effect on surplus or (deficit)	<u>-179 584</u>
Creditors/Accruals	179 584
Net effect on statement of	<u>179 584</u>

- 36.4 During the financial year ended 30 June 2012 provision for doubtful debt was understated by an amount of R 19 444 996 as a result of the best estimate being inadequate. The

Revenue	17 369 772
Net effect on surplus/deficit for	<u>17 369 772</u>
Provision	-19 444 996
Net effect on statement of	<u>-19 444 996</u>
Adjustment against Accumulated Surplus at the end of 2012 year	<u>2 075 224</u>

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36.5 During the year ended 30 June 2013 it was discovered that the cost of PPE balance as at 30 June 2012 was mistated as a result of errors in the initial recognition of assets. The

PPE	-14 477 879.18
Input VAT	
	<u>-399 184.00</u>
Net effect on statement of	<u>-14 877 063.18</u>
Adjustment against Accumulated Surplus at the end of 2012 year	<u>14 877 063</u>

36.6 During the year ended 30 June 2013, it was discovered that the PPE balance as at 30 June 2012 as disclosed in the AFS were mistated as a result of omissions in the financial asset register in prior years. Assets not found in the asset register

Property Plant and Equipment	6 172 971.28
Accumulated depreciation	<u>-367 053.75</u>
Net effect on statement of	<u>5 805 917.53</u>
Accumulated Surplus	
Adjustment against Accumulated Surplus at the end of 2012 year	<u>-5 805 917.53</u>

36.7 During the year ended 30 June 2013, it was discovered that Property, Plant and Equipment balance as disclosed in the AFS at 30 June 2012 was mistated as a result of errors in assesing the useful lives of assets in prior years. Assets whose useful lives were found erroneous were

Accumulated Depreciation	<u>2 405 452.24</u>
Net effect on statement of	<u>2 405 452.24</u>
Accumulated Surplus	<u>-2 405 452.24</u>
Adjustment against Accumulated Surplus at the end of 2012 year	<u>-2 405 452.24</u>

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36.8 During the year ended 30 June 2013 it was discovered that the balance of intangible assets as disclosed in the AFS at 30 June 2012 was mistated as a result errors in assessing the useful lives of assets in prior years. Assets whose useful lives were found to be erroneous were corrected

Accumulated Amortisation	1 832 970.94
Net effect on statement of	<u>1 832 970.94</u>

Accumulated Surplus	-1 832 970.94
Adjustment against Accumulated Surplus at the end of 2012 year	<u><u>-1 832 970.94</u></u>

36.9 During the year ended 30 June 2013, it was discovered that accruals balance as disclosed in the AFS at 30 June 2012 was overstated by an amount of R 8000 - 00 as a result of one creditor being captured twice.

Accrual	8000
Net effect on statement of	<u>8 000.00</u>

Repairs and maintainance	-8000
Net effect on surplus/deficit for	<u><u>-8 000.00</u></u>

36.10 During the year ended 30 June 2013, it was discovered that PPE balance as disclosed in the AFS at 30 June 2012 was understated by an amount of R 13 177 700 as a result of omission in prior years. The

PPE	13 177 700
Accumulated Depreciation	(5 035 419)
Net effect on statement of	<u>8 142 280.72</u>

Adjustment against Accumulated	<u><u>-8 142 280.72</u></u>
--------------------------------	-----------------------------

Total Net effect on Accumulated Surplus	-2 561 079.79
Total net effect on surplus / deficit for the year	17 182 187.68
Total Net effect on statement of financial position	<u><u>-14 621 107.59</u></u>
	<u>0.30</u>

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	2013	2012
<b>Note 37 Additional disclosure in terms of Municipal Finance Management</b>		
<b>37.1 Contributions to organised local</b>		
Opening balance	(1 477 960)	-
Current year subscription / fee	1 477 960	318 135
Amount paid - current year	(1 471 934)	(1 796 095)
	<u>(1 471 934)</u>	<u>(1 477 960)</u>
An amount of R 1 471 934 has been included on pre-paid expenses		
<b>37.2 Auditor's remuneration</b>		
Opening balance		
Current year fees	1 976 258	2 082 972
Amount paid - current year	(1 976 258)	(2 082 972)
Closing balance	<u>-</u>	<u>-</u>
<b>37.3 PAYE and UIF</b>		
Opening balance		-
Current year subscription / fee	21 240 342	17 357 787
Amount paid - current year	(21 240 342)	(17 357 787)
Closing balance	<u>-</u>	<u>-</u>
UIF deducted from employees and company contribution on UIF.		
<b>37.4 Pension and Medical Aid</b>		
Opening balance		
Current year subscription / fee	7 875 719	8 264 162
Amount paid - current year	(7 875 719)	(8 264 162)
Closing balance	<u>-</u>	<u>-</u>
medical aid contributions deducted from employees.		
<b>VAT</b>		
<b>37.5</b>		
VAT receivable	32 271 810	39 165 307
Vat is paid over to SARS only once All VAT returns for the year have		

**37.6 Councillors' arrear consumer**  
The following Councillors had arrear

30-Jun-13	Outstanding R	Outstanding more R	Total R
Cllr Ramaano LP	86	103	189
Cllr Kwindi KG	87	174	261
CllrTshishonge	87	127	214
Cllr Thabela TP	89	262	351
Cllr Musisinyane NS	87	170	257
Cllr Marutha MD	128	45	173
	<u>564</u>	<u>881</u>	<u>1 445</u>
<b>30-Jun-12</b>	<b>Outstanding less than 90 R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
Councillor Bulala HP	26 016		26 016
Councillor Tshikovhi AA	1 386		1 386
	<u>27 402</u>	<u>-</u>	<u>27 402</u>



37.7 Supply chain management

In terms of section 36 of the  
Municipal Supply Chain  
Management Regulations any  
deviation from the Supply Chain  
Management Policy needs to be  
approved by the Municipal Manager

Incident

Repairs and maintainance	3 181 547	2 708 973
Training	1 413 304	1 291 635
Accommodation	220 513	909 573
Disaster	213 215	83 800
Advertisement	71 786	77 870
Other	48 090	-
	<u>5 148 454</u>	<u>5 071 851</u>

37.8 criminal conduct

Mr. Mankwane is charged with  
misconduct of theft, Gross dishonesty  
and prejudice while on duty  
intentionally stole municipal money  
which was supposed to have been  
deposited in to municipality account.

Opening balance

New incident	7 251.50	6 512.90
Recovered	-7 251.50	-6 512.90
Closing Balance	<u>-</u>	<u>-</u>

Mr. Mankwane is charged with  
misconduct of theft, Gross dishonesty  
and prejudice while on duty  
intentionally stole municipal money  
which was supposed to have been  
deposited in to municipality account.  
The expenditure account is included

Opening balance

	17 815.40	-
New incident	-	17 815.40
Recovered	-2 969.24	-
Closing Balance	<u>14 846.16</u>	<u>17 815.40</u>

**Note 38 Comparison with the budget**

accrual basis, and entered presthe  
information presented is for the  
financial year ended 30 June 2013

**38.1 Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statement**

	Actual	Classification	Comparable amount
<b>Revenue</b>			
Property rates	35 024 960		35 024 960
Service charges	35 494 742		35 494 742
Rental of facilities and equipment	504 306		504 306
Interest on outstanding debtors	10 928 254		10 928 254
Fines	3 862 686		3 862 686
Licences and permits	11 773 953		11 773 953
Government grants & subsidies	414 254 437		414 254 437
Other revenue	20 151 733	85 659 158	105 810 891
Interest received - investment	10 443 610		10 443 610
<b>Total Revenue</b>	<b>542 438 682</b>	<b>85 659 158</b>	<b>628 097 840</b>
<b>Expenses</b>			
Employee related cost	143 237 621		143 237 621
Remuneration of councillors	20 411 699		20 411 699
Depreciation and amortisation	42 897 486		42 897 486
Finance costs	1 742 851		1 742 851
Collection costs	5 827 868		5 827 868
Repairs and maintenance	47 970 251		47 970 251
Contracted services	325 468		325 468
Provision for Bad debts	41 857 880		41 857 880
Inventory write down/Assets write off	807 001		807 001
General Expenses	206 008 565		206 008 565
	<b>511 086 690</b>	<b>-</b>	<b>511 086 690</b>
<b>Surplus/ (Deficit) for the year</b>	<b>31 351 992</b>		<b>117 011 150</b>

**38.2 Explanation on material differences between final budget and actuals for the year ended 30 June 2013**

**38.2.1 Property rates**

The property rates amount increased due to the implementation of the supplementary valuation roll

**38.2.2 Transfers recognised / Government grants**

conditional grants(i.e Neighbourhood  
Grant, Energy efficiency and  
demandside management grant, and

**38.2.3 Employee related costs**

due to the decision taken by  
management to put on hold the  
appointments of employee as a  
result of the revenue collection which

**Note 39 Related Parties**

**Management**

Municipality has the following senior managers who may have significant influence over the financial or operating policies of the municipality

Names	Title
Mathivha MH	Municipal Manager
Madzhe MA	Chief Financial Officer
Muneri ME	Senior Manager: Technical Services
Maluleke HE	Senior Manager: Town Planning and Development
Dzihvhani MR	Acting Senior Manager: Housing and Electricity
Ngoeni TC	Senior Manager: Corporate Services
Madi MS	Acting Senior Manager Community services

Refer to note No: 22 for the disclosure of their remuneration

**Vhembe District Municipality**

Vhembe District Municipality is owing Thulamela Municipality an amount of R 3 522 218 as at 30 June 2013 for water related expenses. The opening balance of R 50 398 246 was written off by council. Refer to note 8

**Note 40 Financial Instrument**

Financial assets at amortised cost		
Consumer debtors	19 256 273	6 229 366
Other receivables	5 039 921	71 033 861
Vat receivable	32 271 810	39 165 307
Cash and cash equivalent	292 292 699	190 736 629
Long term receivables	1 206 519	2 753 997
	<u>350 067 221</u>	<u>309 919 160</u>
Financial liabilities at amortised cost		
Short-term loan	49 188 446	8 213 046
Trade and other payables	51 314 157	53 088 564
Consumer deposit	34 546	20 437
Finance lease liability	2 398 777	1 520 074
	<u>102 935 925</u>	<u>62 842 122</u>

**Note 41 Change in Accounting estimate**

**41.1 Property, plant and Equipment**

Grp 17 paragraph 61 state that the residual value and the useful life of an asset shall be reviewed atleast at each reporting date and if expectations differs from previous estimates, the change shall be accounted as a change in accounting estimates in accordance with standard of GRAP. on accounting policies, changes in accounting estimates and errors.

The effect of the change is as follows

PPE	<u>108 038 439</u>	<u>2 405 452</u>
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**41.2 Intangible asset**

Amortisation period and amortisation method for an intangible assets with the finite useful life are reviewed at each reporting date, and any changes are recognised as a change in accounting estimate in accordance with the standard of GRAP

The effect of the assessment is as follows:

Intangible asset	<u>1 832 971</u>
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